

Metra

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DRAFT

2018-
2022



STRATEGIC PLAN
ON TRACK TO EXCELLENCE

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AN UNSUSTAINABLE MODEL

Metra has an economic model that is not sustainable. Metra is also facing the worst financial crisis in its 33-year history. In addition to a chronic lack of adequate funding for capital assets, such as rolling stock and infrastructure, Metra is now faced with decreased funding for operations.

Why is Metra's current situation so critical for the people of northeast Illinois? Metra, together with the Chicago Transit Authority and Pace Suburban Bus, are the threads that hold the economic engine of northeast Illinois together. The region is highly dependent on public transportation. Metra saves its riders time and money, enhances the environmental health of the region and fuels its economic engine. Metra benefits even those who do not ride its trains. If Metra did not exist, 27 more expressway lanes would be needed to accommodate all of the extra drivers and arterial roads would be clogged with traffic trying to reach those expressway lanes.

Metra's importance to the Chicago region cannot be understated! Metra provides about 300,000 passenger trips in northeast Illinois each weekday – safely, reliably and comfortably. However, this value to the region is not reflected in Metra's public funding. Railroads are the most capital intensive of all industries, requiring substantial annual investment to maintain rolling stock and infrastructure. Railroads own and maintain their own rights-of-way and track structure, unlike bus operations, which use streets that are owned and maintained by the public. As a commuter rail system that was created from the former assets of multiple privately owned railroads, Metra's annual capital needs are sizeable and diverse.

Metra must make significant investment in its people in addition to its capital assets. Metra provides a personal service, transporting people from their homes to their destinations, principally their employment location, and back home safely and on time. Long-tenured, well-trained employees assure the safe transport of Metra's most precious asset, its riders. Metra must invest in people and compensate them on a level that will attract and retain them. Metra competes for talent among railroads, not government agencies.

Contrary to public perception that Metra is a profitable entity and that fares cover most of our costs, the facts are just the opposite. Metra's mandate, under the RTA Act, requires it charge fares that cover approximately half of its operating costs. Metra is dependent on government funding, primarily through a sales tax levied in the six-county region, for the remainder of its operating costs and on federal and state funding for virtually all of its capital needs. Combining the annual capital and operating budgets, fares presently cover about one-third of Metra's yearly costs, with the remainder covered by a regional transportation sales tax; federal, state and local grants; and other public subsidies. In fact, if adequate operating and capital funding were provided, fares would cover only one-fifth of Metra's yearly costs.

Over the last several years, public funding has not kept up with needs. Metra has been and is now receiving about a quarter of the capital funding needed annually to achieve and maintain a state of good repair on its existing system – never mind expanding or enhancing its system to address regional changes and growth. As a result, Metra has fallen behind

on its maintenance investments and will continue to fall even further behind.

Metra's capital assets are diverse and extensive: locomotives, passenger cars, track signal and communications equipment, yard and maintenance facilities, station buildings, platforms, parking lots and headquarters. Each day, the delivery of safe, reliable, efficient train service depends on these assets; though many are never seen by riders. Constant maintenance, rehabilitation and replacement, and significant funding, are required to keep Metra's facilities and equipment in working order.

Because capital funding has been inadequate, Metra now has the oldest commuter fleet in the nation. Approximately 40 percent of Metra's assets are classified as in marginal or worn condition. Half of the 800 bridges in Metra's system are 100 years or older. These assets, while safe, have exceeded their useful lives. Metra will always run a safe railroad, but continued use will result in higher operating costs and degraded on-time performance.

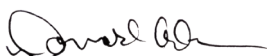
Public funding for operating costs, provided through a regional transportation sales tax and a partial state match, is also falling short. Sales tax collections have fluctuated with economic conditions and have not met projections, even after the tax was increased in 2008. In recent years, the decline in retail sales at brick-and-mortar stores, state budget deadlocks and the lack of a state bond program for capital investment have also had impacts on funding for public transportation.

Metra understands it cannot continue to ask its customers to pay higher fares in the absence of adequate public funding.

The current situation is unsustainable, and threatens the future viability of the important service Metra provides.

After reading this letter, we hope that you clearly understand our overriding message: we cannot continue as we are. We either need to fund our public transportation properly or be willing to watch it continue to degrade, including reductions in service frequency.

With the proper amount of sustained public investment, we can create a system with a long and bright future. It is clearly in the interest of the citizens of northeast Illinois for Metra to do so. Metra seeks your support to achieve the vision outlined in this document.



Donald A. Orseno
CEO/Executive Director



James M. Derwinski
Incoming CEO/Executive Director



Norman Carlson
Chairman of the Board

CURRENT OPERATION

Metra is the commuter rail system in Chicago with an established reputation for providing safe, reliable service to 305,000 passengers every weekday. It is a complex, multi-layered system with a rich pedigree dating back to the city's first railroads more than 160 years ago.

Metra's system is comprised of 11 lines that radiate from downtown Chicago to the six-county metropolitan area. The system has 487 route miles and nearly 1,200 miles of track. There are 241 stations, including 77 in the city of Chicago, of which six are in downtown Chicago.

Metra directly owns and operates four lines: the Milwaukee District West, the Milwaukee District North, the Metra Electric and the Rock Island. Metra pays two freight railroads, pursuant to purchase-of-service agreements, to operate commuter service over their lines: Union Pacific, which operates the UP North, Northwest and West; and BNSF Railway, which operates the BNSF Line. Metra also has trackage rights agreements with two other freight railroads to operate the Heritage Corridor, North Central Service and SouthWest Service.

No other commuter railroad in the U.S. or Canada has such a complex interface with freight railroads. Despite that complexity and the age of its rolling stock and infrastructure,



Metra maintains one of the best on-time performance rates of commuter rail agencies in the country, consistently operating 95 percent or more of its trains on time with the lowest average fare and lowest average operating costs among its peer legacy commuter rail operators.

Metra operates within the nation's largest rail hub, the only place in the country where six of the nation's seven major Class I railroads have large terminals. More than 1,300 commuter, freight and Amtrak trains operate over Chicago-area tracks each weekday, which requires tremendous cooperation from all operators to successfully run the daily mixture of services. Metra operations account for 747 of those trains.

MISSION

The first step in developing a long-range strategic plan is to understand what Metra is and where we want to see our agency go. By defining our mission, our vision and our goals for the future, we are creating a practical template to guide the future of commuter rail in northeast Illinois.

Through a process that solicited input from both internal and external sources, including two rounds of public meetings, Metra developed and adopted the following mission statement:

As part of a regional transportation network, Metra provides safe, reliable, efficient commuter rail service that enhances the economic and environmental health of northeast Illinois.

We've taken this simple statement of purpose and used it to guide the development of a vision statement and strategic goals for the agency. Metra's work plan will be driven by the ideas presented in this strategic plan and outline how we intend to keep our region's commuter rail service on track to excellence.

VISION

Metra's vision is to be a world-class commuter rail agency linking communities throughout the region by:

- Providing the safest, most efficient and reliable service to our customers.
- Sustaining our infrastructure for future generations.
- Leading the industry in achieving continuous improvement, innovation and transparency.
- Facilitating economic vitality throughout northeast Illinois.



TIMELINE

The scope of this plan covers the next five years: 2018-2022. Based on the resources we anticipate being available, there are a number of initiatives we plan to embark upon. We know it will be a challenge to maintain our existing operations due to a potential operating shortfall, but we will endeavor to meet our mission and work toward our vision within those limitations. Of course, if additional resources are made available, we could do much more.

- Year 1 (2018) will focus on initiating many of these efforts.
- Years 2-5 (2019-22) will focus on bringing the initiatives to fruition.



STRATEGIC GOALS

Knowing who we are and where we want to go are essential to understanding how we will move Metra forward into the future. The mission and vision statements we've adopted will guide how we will invest in our rail system and which projects and initiatives we will prioritize. This will ensure that the limited capital funding available to Metra is used to address our most pressing needs. Specific initiatives related to all aspects of our operations have been grouped into five strategic goals:

- Prioritize safety and security awareness;
- Invest in our workforce;
- Deliver quality customer service;
- Optimize our capital assets; and
- Ensure financial stability.

To successfully carry forward our vision for the future, we must recognize that each of these five strategic goals are interrelated. Throughout this document, we will identify specific projects under each goal. These projects will be a fundamental part of how we measure each goal's success. They will also help Metra determine how we navigate the existing barriers, especially in terms of securing funding, that are hindering the Metra system's sustainability.

PRIORITIZE SAFETY AND SECURITY AWARENESS

The safety of Metra's customers and employees will always be the top priority.

We ensure our system remains safe through compliance with all federal, state and local regulations pertaining to the operation, inspection and maintenance of tracks and equipment as well as all regulations pertaining to the testing and certification of railroad employees. Teams also conduct random operational testing in the field to increase safety awareness and rules compliance.

The installation of the federally mandated Positive Train Control (PTC) safety system is quite literally the biggest safety initiative that the entire railroad industry has undertaken. PTC is a GPS-based safety technology that improves safety by slowing or stopping a train to enforce track speeds, prevent unauthorized entry into work zones, prevent train-to-train collisions, prevent over speed derailments or prevent a train from moving through a switch that isn't properly aligned. Metra is currently on track to have PTC installed and operational on all 11 lines by the end of 2019.

Metra is pursuing the installation of inward-facing cameras for engineers and body cameras for our police officers and has implemented OSHA training for all front-line operating supervisors, managers and directors to further improve workplace and passenger safety.

Metra Police have implemented programs to improve safety and security for our customers and employees. Signed agreements with Cook County for dispatching and court adjudication services are allowing us to dedicate more Metra police officers to the field, including the expansion of patrol units dedicated to riding trains, providing a visible law enforcement presence and deterring criminal activity on Metra rail lines.

We are also working to enhance safety and security throughout our system by expanding a program we use to train front-line personnel on how to identify and respond to distressed individuals near our tracks and by increasing coordination with Operation Lifesaver and the DuPage Railroad Safety Council on public rail safety efforts.

MEASURING OUR SUCCESS

- Lower public and employee injury rates.
- Install, test and deploy PTC.
- Maintain high level of police visibility on board and at stations.



Operation Lifesaver spokesman Mark Kalina ▶
speaks to students at Tinley Park High School.



INVEST IN OUR WORKFORCE

Twenty-two percent of Metra's workforce will be eligible for retirement by 2019. This represents a tremendous drain of human capital from the agency, and knowledge transfer between experienced and less experienced employees will be key to our future success.

Metra's plans for the future rely upon being able to recruit, develop and retain a capable, talented workforce. To achieve this, Metra is investing in outreach to diversify our applicant pool and is enhancing our in-house development programs for all employees. This includes the development of defined career paths for employees in both administrative and operational roles and the creation and implementation of a succession plan for the executive team.

Metra continues to examine the total compensation and benefit packages for our professional and management staff to ensure that we remain competitive within the marketplace.

Metra will continue to grow and enhance employee performance, efficiency and job competence across all skilled trade functions. Metra will continue to invest in our valued team through constructive union relations.

Over the past several years, Metra has used employee engagement surveys. This ongoing process gives regular feedback to senior management to address employee concerns and improve the lines of communication about critical issues.

MEASURING OUR SUCCESS

- Improve retention of professional and management employees, beyond staff separating through retirement.
- Encourage and increase participation in voluntary employee development programs.
- Continue development and enhancement of employee training programs.
- Evaluate success of workforce diversity goals.
- Continue to improve employee engagement and satisfaction as measured in employee surveys.
- Sustain and grow technology improvements that have resulted in improved employee efficiency.



DELIVER QUALITY CUSTOMER SERVICE

Providing the safest, most efficient and most reliable service to our customers has long been Metra's goal. With an average on-time performance of 95 percent or higher and a consistent track record of achieving this mark, Metra's customers have high expectations of our service.

To ensure that our service continues to meet these expectations, Metra will monitor customer satisfaction through:

- Annual surveys that identify issues key to customer satisfaction.
- Daily direct customer feedback funneled to Metra through multiple channels.
- Onboard service audits to identify customer service issues.

Metra will also work to identify and implement low-cost opportunities for improvements to enhance the customer experience including:

- Pursuing opportunities for enhanced station signage that promotes visibility, improves wayfinding experience and provides real-time travel information.
- Continuing our ongoing station rehabilitation program.
- Working with regional partners to build upon and promote supplemental services to bridge first/last mile gaps between Metra stations and rider destinations.
- Providing training to front-line personnel on topics such as increasing sensitivity to ADA needs, de-escalating customer incidents and responding to critical incidents, etc.

- Implement Automatic Communication and Onboard Reporting Network (ACORN) – real-time multi-channel customer communication system.

Metra customers place a high priority on effective communication. Metra will continue to identify ways to improve our use of existing communication channels to enhance our customer communications through platform and onboard announcements as well as our website and social media. Metra will look to expand on our recently implemented "Ride Nice" courtesy campaign and to create a series of how-to videos focusing on potential barriers for first-time users of the system.

Metra will also continue to explore ways to use cost-effective technology enhancements such as upgrades to our GPS tracking system and the Ventra App to improve customer experience.

MEASURING OUR SUCCESS

- Monitor trends on annual customer satisfaction surveys.
- Review and respond to customer feedback through customer service channels.
- Achieve our 95 percent on-time performance goal.
- Rehabilitate stations and facilities.



Providing the safest,
most efficient and most
reliable service to our
customers has long
been Metra's goal.



OPTIMIZE OUR CAPITAL ASSETS

Reliable rail service depends on perpetual maintenance of capital assets, such as track, signals, rolling stock, communications equipment and buildings. For many years, however, Metra has been falling behind on these investments. A legacy system like Metra's has many aging components approaching or past their useful lives, with about 40 percent of its assets classified in marginal or worn condition. While Metra will continue to operate our aging system in a safe manner, the availability of federal, state and local funding for transit capital projects has not kept pace with our needs.

For instance, the state's capital help has been intermittent and insufficient, with just three doses of funding in the last 30 years. In 1989, Metra received a portion of a \$290 million bond issue, which was shared with other transit agencies in northeast Illinois. In 1999, Metra received \$850 million as part of the Illinois FIRST program. And in 2009, Metra received a combined commitment of \$1.1 billion from two separate programs; however, much of the funding was put on hold and Metra now expects only \$835 million.

Metra is committed to continuing to operate safely with the equipment and infrastructure that is available, but more funding is needed to replace many of the components of the Metra system. Metra's principal infrastructure elements are passenger cars and locomotives, bridges, track structure, signals and communications, and stations.

While in the past few years there has been considerable focus on passenger cars and locomotives, most attention will be given to bridges. There are 823 bridges on

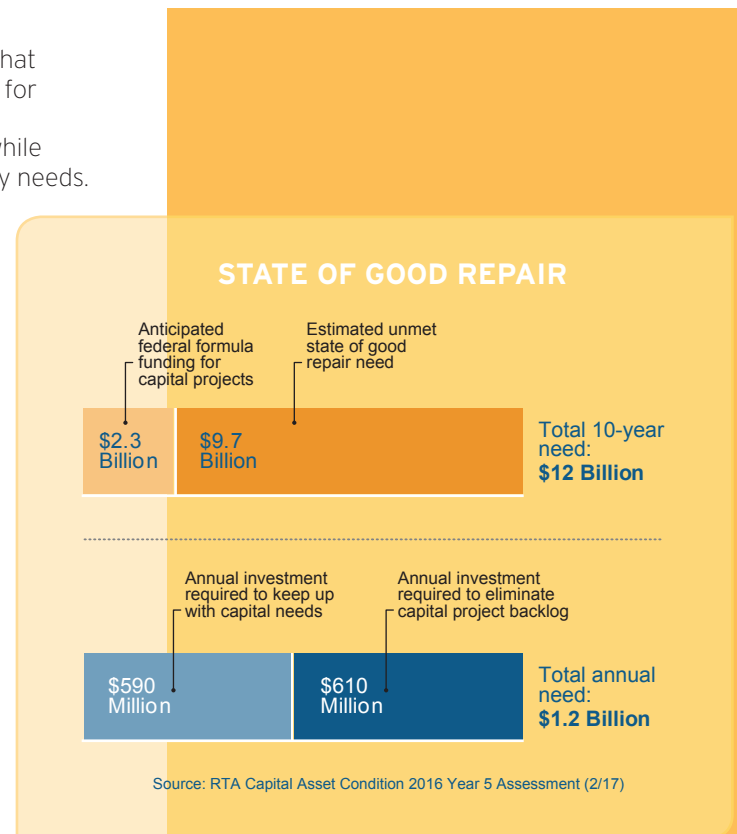
the Metra system. More than 450, or 45 percent, of these bridges are 100 years or older. At the present rate of three bridges per year, it will take Metra 150 years to replace these aged assets and 275 years to replace all of the existing bridges. These numbers, on their face, convey the urgency of Metra's financial needs to its funding partners.

Until and unless our funding situation is addressed, Metra will do everything it can with the resources it has available. Metra's cost-benefit analysis will help guide those efforts. In addition, Metra is currently engaged in other work that will help, including developing:

- A Station Optimization Study that will present recommendations for station distribution, to use our resources in an efficient way while addressing community mobility needs.
- A Transit Asset Management Plan and coordinating asset management activities to comply with Federal Transit Administration requirements. Detailed information about our assets will help our investment decisions.

About half of Metra's capital program is dedicated to major projects including [to be updated to reflect 2018-22 capital program once the initial program is available in the coming months]:

- Continuing to install the federally mandated Positive Train Control safety system, which is expected to cost up to \$400 million to install and about \$15 million to \$20 million a year to operate.
- Procuring new railcars and new locomotives. The actual number of each will depend on the response from manufacturers, the funding available and whether Metra can use financing alternatives, such as leasing, to maximize its funding. This will help us begin to replace the oldest commuter rail fleet in the nation.



- Rehabilitating railcars and locomotives through several programs, most of them in-house. This work will extend the useful life of these assets until they can be replaced.
- Remanufacturing locomotives to create practically brand new locomotives on existing frames in cooperation with off-site contractors to achieve financial and operational efficiency.
- Expanding our main railcar rehabilitation facility to enable us to complete up to 60 railcars a year.
- Replacing bridges that carry Union Pacific North Line trains over 22 streets on the North Side of Chicago. The reconstruction of the Ravenswood Station, the busiest station on the line, is part of this multi-year project. All these bridges are 120 years old and can no longer be economically maintained. A bridge that carries this line over the Chicago River's North Branch also will be rehabilitated.
- Replacing a single-track bridge on the Milwaukee West Line, which dates from 1881, with a modern double-track bridge, eliminating a bottleneck on the line.
- Removing two sections of two-track bottleneck on the Union Pacific West Line through completion of 7 miles of third track on the Union Pacific's busiest freight line.

The remainder of the Capital Program is focused on ongoing maintenance of the existing system. This includes... [to be completed reflecting the 2018-22 capital program once the initial program is available in the coming months].

However, at the current rate of investment, we will never be able to catch up with the rate of deterioration of our system. For instance, at the current rate, it will take us 150 years to replace the bridges currently due for replacement, but those bridge replacements are projected to only have a 100-year life span.

MEASURING OUR SUCCESS

- Complete construction projects on time and on budget.
- Purchase new and rehabilitate existing railcars and locomotives to reduce the average age of the fleet.
- Maintain favorable comparisons in RTA's performance measure evaluations.
- Complete initial Transit Asset Management Plan.
- Complete Station Optimization Study.



ENSURE FINANCIAL STABILITY

As a public agency, Metra is dependent on funding sources for its operating and capital costs that are unpredictable and often insufficient. This business model is unsustainable. The effect will be a gradual decline in the level of service provide to passengers. This will be counterproductive to Metra’s desire to increase service reliability to attract additional riders.

Today, based on data compiled by the RTA, Metra has \$1.2 billion a year in capital needs over the next decade – \$590 million annually to maintain the existing system, and \$610 million annually to eliminate a backlog of unfunded work. In 2017, Metra will have \$358.9 million available to spend on capital projects, and in each of the next four years, starting in 2018, it expects to spend less than \$300 million.

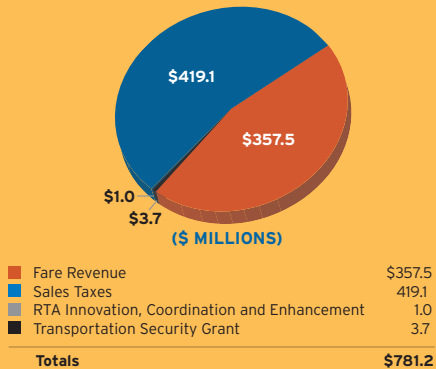
Without adequate funding, the backlog will continue to grow. As noted previously, Metra anticipates its capital needs over the next ten years will be \$12 billion; however, in its 34-year history, Metra has received only \$8.6 billion in capital grants.

Fare revenue pays for roughly half of Metra’s operating costs. The remaining operating costs are covered by public subsidies, primarily proceeds from a regional transportation sales tax but also including a partial match from the state of Illinois. If the growth in sales taxes keeps up with the growth in costs, then fare increases don’t need to be frequent and/or significant. However, if funding sources don’t keep up, Metra has no other way to balance its budget other than to raise fares or cut service. Cutting service is usually not a viable option, because it is difficult to achieve significant savings without major, counterproductive cuts. Fare increases are regressive and cause ridership losses that offset some of the revenue growth. This situation is further exacerbated by shortfalls in capital funding, which has forced Metra in recent years to raise fares not for operating costs but for capital needs.

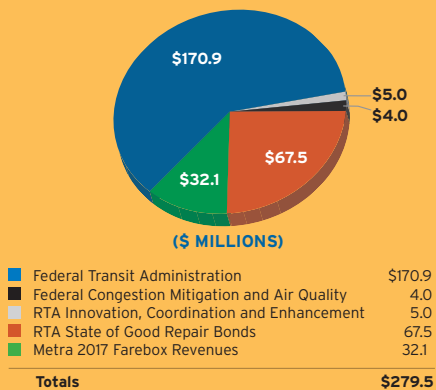


2017 FUNDING SOURCES

2017 OPERATING FUNDS



2017 CAPITAL FUNDS



It is clear that the funding mechanisms currently in place cannot sustain the Metra system, nor do they allow for future growth. Metra cannot continue as presently constituted. Without dedicated sustainable sources of capital and increased operating funding sources that grow over time, public sector transportation funding will always lag behind needs.

To reverse this course, Metra and its Board of Directors are committed to exploring ways to change the status quo and provide stability and sustainability to Metra's funding outlook.



We are actively:

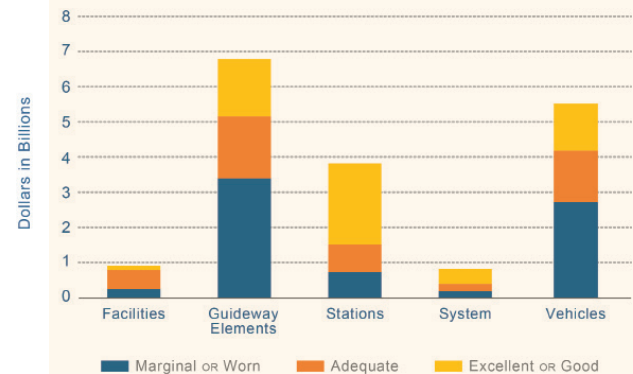
- Investigating new sources of financing to fund our capital needs.
- Working with stakeholders to secure new sources of funding.
- Examining our fare structure to identify improvements with potential to increase ridership and revenue.
- Identifying and implementing improvements that result in operating cost savings and greater efficiencies.
- Maximizing secondary revenue streams to secure non-fare funding to meet transportation needs.
- Expand outreach to continue to grow Disadvantaged Business Enterprise (DBE) participation, enhancing the economic health of the region.

However, these actions can only affect our situation at the margin. Ultimately one of three things needs to happen: (a) Metra needs to procure a large-scale funding enhancement; (b) Metra needs a massive increase in ridership on existing services; or (c) Metra needs to implement large-scale service reductions.

MEASURING OUR SUCCESS

- Continue to balance the agency budget each year.
- Implement cost-saving measures.
- Leverage funding sources and financing.
- Initiate backlogged capital projects.
- Maintain and grow ridership.
- Grow non-fare revenue.
- Meet federal and non-federal DBE goals.

METRA ASSET CONDITION AND REPLACEMENT VALUE



Source: RTA Asset Management Report, 2014

CONCLUSION

As we hope this document makes clear, Metra cannot continue along its current path. Its capital needs are great, and its capital funding is inadequate. This has pressured Metra to increase fares – historically used to fund operations – to make up part of the capital shortfall, and that has hampered our ability to raise fares to meet growing operating costs. The situation is not sustainable.

We have spelled out our vision for the future of Metra: To be a world-class commuter rail agency linking communities throughout the region by providing the safest, most efficient and reliable service to our customers; sustaining our infrastructure for future generations; leading the industry in achieving continuous improvement, innovation and transparency; and facilitating economic vitality throughout northeast Illinois.

We have also outlined the steps we can and will take to work toward each of our goals within our existing resources. That is easier in some of our strategic goals, such as prioritizing safety and security awareness, investing in our workforce and delivering quality customer service, than it is in goals more directly affected by funding uncertainty, such as optimizing our capital assets and ensuring financial stability.

We are committed to doing everything we can to make our vision a reality, and we are proud of everything we have accomplished so far. But if Metra is to truly succeed, to make its vision a reality and to achieve its strategic goals, it must be funded at a level that corresponds to its value to the Chicago region.



VISION

TO BE A WORLD-CLASS COMMUTER RAIL AGENCY
LINKING COMMUNITIES THROUGHOUT THE CHICAGO
BY PROVIDING THE SAFEST, MOST EFFICIENT AND
RELIABLE SERVICE TO OUR CUSTOMERS;
SUSTAINING OUR INFRASTRUCTURE FOR FUTURE
GENERATIONS;
LEADING THE INDUSTRY IN ACHIEVING
CONTINUOUS IMPROVEMENT, INNOVATION AND
TRANSPARENCY;
AND FACILITATING ECONOMIC VITALITY
THROUGHOUT NORTHEAST ILLINOIS.

HISTORIC PERSPECTIVE

For the Chicago region's commuter rail system, the financial crisis that hit public transportation in the late 1960s and 1970s led directly to the creation of Metra in the early 1980s. The new entity and new state and federal subsidies reversed years of disinvestment to create a world-class system known for its safe,

reliable, comfortable service. But after more than three decades, Metra is now at risk of returning to those troublesome times because its needs are once again far exceeding its available resources.

Understanding public transit in Chicago as it exists today requires knowledge of its history and a major thread running throughout this history – financial crisis. What we think of as public transit today, in Chicago and the U.S. for that matter, was created and operated by privately held transit companies. More often than not throughout the city's history, rapid transit rail and street railway services in Chicago were in bankruptcy or reorganization. These adverse economic circumstances eventually led to the formation of the Chicago Transit Authority (CTA), which commenced operations 70 years ago on Oct. 1, 1947. Yet another financial crisis in the 1950s and 1960s planted the seeds that led to formation of the Regional Transportation Authority (RTA) in 1973.

The economic factors that led to the formation of Metra and Pace Suburban Bus in the 1970s and 1980s were different. High inflation, a recession, downtown job losses, suburban sprawl and competition from cars (and free parking) were impacting revenue at the CTA, the privately owned suburban bus companies and the privately owned freight railroads then operating commuter rail service throughout the Chicago area.

Most of the privately held bus companies and freight railroads had already been deferring capital investment, and then operating costs started to far exceed the revenue they received from fares, which were kept low by public policy. The railroads' freight businesses, which had

always subsidized the commuter operations, were also suffering for many of the same reasons. It became clear that if commuter rail service was going to continue in the Chicago area, government help would be necessary.

Help came in the late 1960s, when, in the Chicago area, suburban mass transit districts were formed along several lines in order to channel some public capital dollars, federal and state, toward commuter rail operations. This resulted in the purchase of new rolling stock and other upgrades on some lines.

Chicago's situation was not unique. Post-World War II passenger rail operations were hemorrhaging money, especially commuter operations on the East Coast. In 1971, Amtrak was formed to take over the nation's long-distance passenger rail service. The restructuring of Conrail in the 1970s transferred East Coast commuter operations to the public sector.

Deferral of capital improvements among those East Coast commuter operations was rampant. In the Chicago area, however, it was the operating cash crunch – at the CTA, the commuter railroads and suburban bus companies – that resulted in the creation of the RTA in 1973. The RTA's mission was to coordinate and assist public transportation and to serve as the conduit for state and federal subsidies needed to keep the system operational. The RTA did not at first directly operate commuter rail service, but paid the railroads to do so under purchase-of-service agreements. At about the same time, in 1974, Congress first authorized using federal funds to help pay for mass transit operating expenses.



RAIL AGENCY
T THE REGION,
EFFICIENT AND
MERS; SUSTAINING
GENERATIONS;
IVING CONTINUOUS
RANSPARENCY;
ALITY THROUGHOUT

Dating from the 1920s, the Chicago Rapid Transit Company and the three electric interurban railways in the Chicago area were all controlled by interests that also controlled Commonwealth Edison, today's Com Ed. The three interurban electric railways were the Chicago Aurora & Elgin (CA&E), the Chicago North Shore & Milwaukee and the Chicago South Shore & South Bend. The South Shore is the sole survivor of the three and the only remaining electric interurban railway in the U.S. Abandonments and restructuring of ownership began in 1955 and concluded Dec. 31, 1990. North Shore's original Shore Line route was abandoned in 1955. The route paralleled today's Union Pacific North Line from Waukegan to Wilmette and used today's CTA Purple Line route from Wilmette to Chicago. The CA&E ceased operation in 1957 on a route that paralleled the Union Pacific West Line from Chicago to Wheaton with branches to Aurora and Elgin. The North Shore's Skokie Valley Route, paralleling the Edens Expressway to Waukegan and Milwaukee with a branch to Mundelein, was abandoned in 1957. Today's CTA Yellow Line is the remnant of this route. The South Shore Line enters Chicago's Loop over the Illinois Central tracks, today's Metra Electric Line.

The South Shore Line survived due to extensive freight traffic and acquisition in 1967 by the Chesapeake and Ohio Railway. Tired of subsidizing the passenger operations, the freight railroad petitioned to abandon the passenger service in October 1976. The Interstate Commerce Commission denied the petition in March 1977, which was one of the catalysts behind the creation of the Northern Indiana Commuter Transportation District in April 1977. In

September 1984, the freight railroad sold the South Shore Line to a newly formed private company that entered bankruptcy in April 1989. In December 1989, a private holding company acquired the South Shore. By Dec. 31, 1990, it sold the "passenger assets" and the mainline in Indiana in two transactions.

From the 1950s to the 1980s, three commuter operations serving the Chicago region were also abandoned: the New York Central's service to Chesterton, Ind., the Pennsylvania Railroad's service to Valparaiso, Ind. and the Chicago & Western Indiana's service to Dolton, Ill. Metra's North Central Service, in part, was the recreation of the Wisconsin Central's suburban service to Wheeling, Ill.

As the 1970s progressed, the financial situation of Chicago's existing commuter services deteriorated rapidly. The Rock Island and then the Milwaukee Road declared bankruptcy, forcing the RTA to start operating commuter railroads or see them fold. The RTA created the Northeast Illinois Regional Commuter Railroad Corporation (NIRCRC) to acquire and operate those lines. The Rock Island abruptly shut down on March 31, 1980, and the Chicago & North Western (C&NW) was directed to operate the Rock Island's service until NIRCRC could assume the operations. Meanwhile, the Illinois Central Gulf (ICG) was in serious financial difficulty but survived due to a massive line sale program.

Unfortunately, the subsidies still didn't keep pace with expenses. In 1981, the RTA ran out of money, and fares were dramatically increased across the system. More help

was needed, spurring the reorganization of the RTA by Springfield in 1983. The RTA initiated a regional transportation sales tax to subsidize public transit operations, and a commuter rail division (CRD) was created to oversee commuter rail service starting in 1984. At the same time, a suburban bus division (later named "Pace") was created.

RTA remained as the parent organization for CTA, the CRD and Pace, which are known as the three service boards. Due to the complicated and patchwork nature of commuter rail at the time, in 1985 the CRD came up with the "Metra" name as a service mark for the entire system. The idea was to bring a unifying identity to all the various components, no matter who owned or operated them.

Federal funding for mass transit operations were phased out in the 1990s and by the mid-2000s, funding shortfalls for both operating and capital budgets elicited calls by the CTA for change in the formulas used for sales tax distribution to the service boards. Following budget seasons in 2007 and 2008, where both the CTA and Pace proposed service cuts, Metra deferred capital projects and all three agencies implemented fare increases, the Legislature passed amendments to the RTA Act that increased sales tax rates, altered some of the distribution formulas related to the new revenues and amended various laws to deal with the underfunding of the CTA's pension plan. But even with these changes, funding remains inadequate.

Today, Metra directly operates seven lines through NIRCRC and has purchase-of-service agreements with other railroads to operate four of its lines. Metra purchased

what is now the Metra Electric from ICG in 1987. At the same time, Metra took over the operation of the ICG's Heritage Corridor Line over tracks now owned by Canadian National (CN). It assumed control of the SouthWest Service Line from Norfolk Southern in 1993. In 1996, Metra started the North Central Service Line over tracks now owned by CN. Metra maintains its longstanding purchase-of-service agreements with BNSF Railway and Union Pacific, which purchased the C&NW lines in 1995.





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